



## African Tax Administration Paper 16

# How Effective has the TADAT Framework Been in Improving Tax Administration in Uganda?

Doris Akol, Margaret Magumba, Patrick Loke, Milly Nalukwago Isingoma and Tina Kaidu

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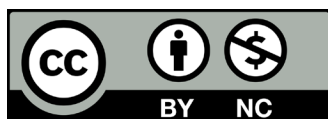
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Doris Akol, Margaret Magumba, Patrick Loke, Milly Nalukwago Isingoma and Tina Kaidu

## Summary

In 2013 the International Monetary Fund (IMF), in conjunction with other development partners, introduced the Tax Administration Diagnostic Assessment Tool (TADAT) to aid assessment of the performance of tax administrations around the world. The first TADAT assessment of Uganda's tax administration was conducted in 2015, and the Uganda Revenue Authority (URA) resolved to adopt the TADAT framework in order to improve organisational performance.

This study seeks to gauge the extent to which TADAT standards have been effective in improving the performance of tax administration in URA, taking both qualitative and quantitative approaches. An organisation-wide survey was conducted, making use of questionnaires, interviews and focus group discussions to collect data. Findings from the study indicate that 80 per cent of surveyed trained staff are aware of the benefits of implementing TADAT in URA, while 63 per cent of the untrained staff, who are the majority, are unaware of its benefits. Awareness about TADAT is relatively high among management staff, but low among staff at lower levels of the implementation chain.

Several TADAT-fostered good practices have been implemented in URA, including separating the objections process from the audit process, introducing initiatives to improve client relations, improving the risk management function, and strengthening efforts towards having a clean taxpayer register. Among other benefits, the implementation of TADAT-fostered good practice has led to improved client relations, better delivery of service, and increased transparency and fairness to taxpayers. It has also helped to enhance the design of the Domestic Tax Department's compliance improvement plan, resulting in improved compliance, reduced audit fatigue, and more efficiency in service delivery. This has led to increased revenue yield.

This research highlights key factors for the successful assessment of performance of URA, and realisation of long-term benefits from the TADAT framework, spreading awareness to all levels of implementers, carrying out continuous organisational self-assessment against TADAT standards, and incorporating TADAT standards into organisational work plans.

**Keywords:** tax administration; TADAT; assessment; performance outcome areas; revenue authority; standard indicators; adoption; framework.

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# Acronyms

CIP	Compliance improvement plan
CIT	Corporate income tax
DT	Domestic tax
DTD	Domestic Taxes Department
FGD	Focus group discussion
IAC	Internal Audit and Compliance
IMF	International Monetary Fund
KPI	Key performance indicator
LPFM	Leadership in Public Financial Management
LSBA	Legal Services and Board Affairs
LTO	Large Taxpayers' Office
M&E	Monitoring and evaluation
MoFPED	Ministry of Finance, Planning and Economic Development
MTO	Medium Taxpayers' Office
OECD	Organisation for Economic Co-operation and Development
PCA	Public and Corporate Affairs
PEFA	Public Expenditure and Financial Accountability
PIT	Personal income tax
POA	Performance outcome area
RPD	Research, Planning and Development
STO	Small Taxpayers' Office
TADAT	Tax Administration Diagnostic Assessment Tool
URA	Uganda Revenue Authority
USAID	United States Agency for International Development
VAT	Value added tax
VIP	Very important person



# Introduction

## Overview

Tax administration in developing countries has evolved over the years, with several tax reforms and administrative interventions being introduced along the way. Key reforms include organisational restructuring, introduction of electronic tax systems, and business process re-engineering. The impact of the different interventions is evident in improved performance across different departments, but remains lacking in some functional areas.

In 2013 the IMF, in conjunction with other development partners, introduced the Tax Administration Diagnostic Assessment Tool (TADAT), with pilot assessments in Zambia (November 2013) and Norway (December 2013). This was an intervention to aid assessment of tax administration, and subsequently help improve the performance of tax authorities worldwide. The tool, which was rolled out in phases, proved to be effective in improving tax administration in countries where it was first introduced. Following the apparent initial success, a TADAT assessment was conducted in Uganda in 2015.

As with several other revenue administrations, prior to the introduction of TADAT in Uganda there was no comprehensive standard tool for assessing the country's revenue administration against internationally recognised good practice. This, of course, is not to say that there was no assessment of revenue administration in Uganda, but to point out that detailed assessment was mostly spread across different facets of revenue administration, and the indicators used were not standard across countries.

The IMF first introduced the TADAT framework in Uganda in 2015. In the same year, an IMF team alongside other development partners carried out an initial assessment of Uganda's tax administration (Khwaja et al. 2015). The ensuing report was used by the Uganda Revenue Authority (URA) as a yardstick for developing recommendations for a way forward in Uganda's tax administration. It was agreed that lessons learnt and recommendations from the first and subsequent TADAT assessments would be engrained into URA's business plans in order to improve organisational performance.

The introduction of TADAT as a tool to assess the level to which tax administrations align their processes/systems to conform to international standards led both URA's senior management and junior staff to hope for significant improvement in the administrative and operational performance of the organisation. Accordingly, URA as a whole embraced the TADAT assessment mechanism, and collaborated with the TADAT Secretariat to train staff in use of the tool. TADAT training in URA has been done in phases – to date over 300 URA staff have been trained. Even though not all URA staff have been trained, it was expected that the knowledge of good practice would trickle down to non-trained staff. To facilitate this expectation, URA ensured that almost all its senior management staff were trained, as these are charged with planning the strategic direction the organisation would take to fulfil its mandate. Additionally, regular sensitisation sessions were held, and trained staff were encouraged to pass on knowledge to their untrained colleagues. Information about TADAT-fostered good practice was regularly communicated to all staff through email.

This study, which seeks to gauge the extent to which the TADAT framework has been adopted in URA, asserts that awareness about TADAT is high among management staff, but still low among staff at lower levels of the implementation chain. Huge strides have been made organisation-wide in terms of implementation, and the level of adoption of TADAT is gauged to be relatively high. Given the existing resource constraints, however, not all the

good practice fostered by TADAT is feasible in URA's current context. Key recommendations from previous assessments by TADAT secretariat include spreading awareness, conducting continuous self-assessment, and incorporating TADAT standards in organisational workplans. These will be key factors for the successful adoption of TADAT, which has been shown to be a worthwhile undertaking based on benefits realised so far.

## **Problem statement**

Since the initial TADAT assessment of URA in 2015, similar assessments, both internal and externally-initiated, have been carried out to establish progress of the organisation towards achieving maximum performance in all TADAT's performance outcome areas. However, the extent to which guidelines from earlier TADAT assessments of different facets of URA's operations had been applied had not been clearly established at the time of the study – this can be attributed to low levels of awareness about TADAT. The benefits and challenges of adopting the TADAT framework also needed to be clearly defined.

Since at the time of the study URA had invested a lot of time and resources in providing TADAT training to staff and encouraging adoption of TADAT standards in their operations, an assessment of progress of the initiative and likely returns was important.

## **Purpose of the study**

The main purpose of this study is to assess the effectiveness of TADAT in improving tax administration at URA.

The study aims to address the following specific objectives:

- To establish the level of adoption of TADAT at URA
- To establish key benefits that have accrued from the adoption of the TADAT framework
- To establish key challenges and lessons learnt from implementation of the TADAT framework by URA.

In this research, adoption of TADAT refers to implementation/application of guidelines from TADAT assessment reports, level of awareness about TADAT in the organisation, and ownership of TADAT principles based on internationally-standardised practices.

# 1 Literature review

## **1.1 Comparable methods of assessing tax administration**

Considering the amount of effort and resources involved, it is not surprising that 'there are very few existing tools for assessing tax administration performance with wide variations in the nature of the tools. In fact, some of the tools are more directed towards assessing tax policy or tax policy outcomes than tax administration' (Crandall 2011). The following paragraphs describe some of the tools for tax administration assessment.

### **1.1.1 OECD's Comparative Information Series**

This tool, which is applied to OECD and selected non-OECD countries, is updated every two years, and is a major contributor to general knowledge about tax administration. The database covers all aspects of tax administration managed by the Organisation for Economic

Co-operation and Development's (OECD's) Centre for Tax Policy and Administration, and approved by the Committee on Fiscal Affairs. The information is structured along: institutional and organisational arrangements for tax administration operations; description of management practices; a comparison of the tax filing and payment obligations for the major taxes (personal income tax (PIT), corporate income tax (CIT) and value added tax (VAT)); summary of selected administrative powers given to revenue bodies to carry out their mandate; comparison of country tax burdens (measured in terms of taxes as a proportion of gross domestic product and the relative mix of the major taxes in total revenue collection; selected operational performance information for all countries; along with guidance as to how such information should be interpreted (Crandall 2011).

While the database is very comprehensive in its topical coverage of tax administration, it only deals with 30 OECD countries and 14 selected non-OECD countries. Very few of these are developing countries.

### **1.1.2 USAID Collecting Taxes Database**

Crandall (2011) states that this database provides coverage on 31 different indicators covering over 200 countries – it gives a country-level view, as well as regional, income-group and international benchmarks against which countries' tax systems are assessed. The indicators are divided into five different categories: tax revenue performance with quantitative indicators that provide a sense of how effectively the tax system produces revenue; tax structure with quantitative indicators related to the substantive structure of tax law; tax administration structure with quantitative and qualitative indicators of the organisation and size of the tax administration; economic structure with indicators about the economy of each country included in the database; and reference indicators related to major tax revenue to allow for international comparisons.

The data can be used to carry out cross-country empirical research that can allow for investigation into specific aspects of tax administration (USAID 2015). However, the dataset produced does not permit a comprehensive assessment of tax administration for a particular country, and some relevant data is unavailable because all information is collected from third-party sources.

### **1.1.3 Public Expenditure and Financial Accountability (PEFA)**

PEFA's 2011 feasibility study indicates that tax administration in the PEFA framework is covered by four indicators – PI 3, PI 13, PI 14 and PI 15. PI 3 is the aggregate revenue out-turn, which captures only negative variations; it measures forecasting accuracy, but does not indicate reasons why forecasts might be inaccurate – such as changes in tax policy. PI 13 covers the clarity and comprehensiveness of legislation and procedures, taxpayer access to information, and existence and functioning of an appeal mechanism. PI 14 looks at taxpayer registration, penalties for non-registration and non-filing, and planning and monitoring for audits and investigations. PI 15 assesses arrears and the collection ratio, effectiveness of transfers to the treasury, and frequency of reconciliations (Crandall 2011).

In reality, these selected indicators cover only a portion of tax administration, and even the areas they do cover are not covered as completely as they should be – for example, a comprehensive assessment of tax administration would look at many aspects of compliance beyond registration and filing. There are important aspects of tax administration that are missing from this particular set of indicators, including: taxpayer services and education; information technology and integrated tax administration systems; compliance strategies including segmentation of taxpayers by size and other characteristics; self-assessment,

voluntary compliance, audit and enforced collection results; autonomy, governance, human resource management and ethics; rights and obligations of taxpayers and the tax authority; strategic and operational planning; and performance reporting.

It is important to note that, used in isolation, none of the above tools can sufficiently assess the performance of a specific country's tax administration. Used alongside other tools, however, they can provide a good assessment of the health of tax administration. TADAT is superior to the tools discussed above, as it covers a wide range of indicators and assesses tax administration more comprehensively.

## 1.2 What is TADAT?

According to its inventors, 'the Tax Administration Diagnostic Assessment Tool (TADAT) is a tool that was developed by international development partners, with technical input from a wide range of experts, to help make tax administrations around the world more efficient and fair. It provides an independent, standardised, evidence-based, quality-assured, all-round assessment of the performance of a tax administration system' (TADAT Secretariat 2019a). It can provide an objective and standardised assessment of the relative strengths and weaknesses of a country's system of tax administration, helping all stakeholders to have a better understanding of a country's system of tax administration.

The TADAT Secretariat (2015) indicates that TADAT's framework is focused on nine key performance outcome areas (POAs) that cover most tax administration functions, processes and institutions. The assessment of these POAs is based on 28 high-level indicators that are each built on 1 to 4 dimensions that together add up to 47 measurement dimensions, with scoring based on A, B, C and D criteria. A implies performance that meets or exceeds international standards, B is fairly close to internationally accepted good practice, C is minimum performance standards, and D is inadequate and where C rating or higher has not been met – but also where there is insufficient information to determine the level of performance. These standards make TADAT a comprehensive administrative diagnostic tool that focuses on:

- Understanding the strengths and weaknesses of the system of tax administration
- Comparing the performance of one country with other countries based on standardised assessment
- Providing baseline information to support development of plans for future reform initiatives
- Setting out priorities for immediate, medium- and longer-term action to improve performance
- Identifying the extent of reform required to the tax administration system.

URA had previously carried out internal assessments to help inform decision-making, but these were lacking in terms of internationally agreed standards. The management appreciated the introduction of TADAT by the IMF, and invited the TADAT secretariat to carry out an assessment in 2015.

This assessment measured critical outcomes of URA's operations against international good practice, relying upon evidence provided to the TADAT mission team. Evidence in several POAs either did not exist or could not be provided – this lowered some ratings; these could have been higher with appropriate evidence.

URA management took the results positively, and used them as a yardstick for measuring reform in future years. This assessment was also helpful in prioritising areas for reform, and

coming up with ways to address the challenges identified. Such reforms included automated risk register, e-tax<sup>1</sup>, e-hub<sup>2</sup>, and compliance improvements plans (CIPs).

URA is a semi-autonomous institution under the supervision of Ministry of Finance Planning and Economic Development (MoFPED). URA employs a top-down management style, with performance targets being set at operational level and approved by senior management (departmental heads). In relation to TADAT indicators, some targets are department-specific and can only be set and agreed upon by the responsible centres in the various departments. Departmental interventions are based on the overarching organisational revenue target provided by MoFPED.

The major focus of TADAT is to assess the performance of major national taxes that contribute the largest proportion of national revenue: PIT, CIT and VAT.

### 1.3 Where else has TADAT been implemented?

TADAT is increasingly becoming a standard part of the toolkit for revenue authorities to explore the efficiency of their tax administration systems, and identify areas requiring reform. USAID (2018) points out that by November 2018 more than 71 countries had completed TADAT assessments, covering all major regions and income groups. Leadership in Public Financial Management II (LPFM II) collaborated with the TADAT Secretariat to deliver TADAT assessments in USAID priority countries. LPFM II supported eight TADAT assessments in countries in sub-Saharan Africa, Eastern Europe and Latin America.

According to the IMF (IMF 2017), TADAT has been applied in various phases in different countries as follows:

**1. *Proof of concept phase (2013-2014)***

4 assessments: Zambia, Norway, South Africa and Paraguay

**2. *Technical pilot phase (2015)***

13 assessments: Fiji, Mozambique, Kosovo, Malawi, Cote d'Ivoire, Madagascar, Malaysia, Rwanda, Uganda, Egypt, Montenegro, Jamaica and Philippines

**3. *Steady state phase (2016-to date)***

- 20 assessments completed in 2016: Comoros, Tanzania, Jordan, Ethiopia, Serbia, Macedonia, Namibia, Vietnam, Zambia (repeat), Georgia, Albania, Liberia, Kyrgyzstan, Sierra Leone, DR Congo, Romania, Barbados, Armenia, Kenya and Dominican Republic
- Completed to September 2017: Bangladesh, Cameroon, Ghana, Guyana, Mauritius and Peru (IMF 2017)
- Other assessments: Trinidad and Tobago, Zanzibar (Tanzania), Guatemala, Alagoas (Brazil), Burkina Faso, Belarus, Niger, Greece, Ukraine, Nigeria, Tunisia, Bosnia and Herzegovina, The Gambia, Burundi, Slovakia, Lebanon, Rio de Janeiro (Brazil), Kaduna (Nigeria), Kosovo (repeat), Goias (Brazil), Sao Paulo (Brazil), Bolivia, Angola, Zimbabwe, Federal District Brasilia (Brazil), El Salvador, Morocco, Jigawa, Kano (Nigeria), Republic of Congo, Uganda (repeat), Antigua and Barbuda, Djibouti, Rwanda. (TADAT Secretariat 2019b).

By end April 2019, a total of 78 assessments had been conducted, with the one in Rwanda still on-going (TADAT Secretariat 2019b). Basing on the completed assessment results for different countries, tax administrations over the world – especially in developing countries –

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<sup>1</sup> An Integrated Tax Administration System that provides online services to the taxpayer on a 24-hour basis.

<sup>2</sup> A data warehouse that collates all electronic data from URA systems to give a 360-degree view of a taxpayer.

face similar challenges. These include inaccurate and unreliable taxpayer information on tax registers, unclear risk mitigation mechanisms, very low voluntary compliance, and low public confidence in tax administrators. Progress has been made, although some challenges have been identified after initial assessments, as highlighted in the next section.

## **1.4 Benefits and challenges of implementing TADAT in other countries**

### **1.4.1 Benefits**

According to USAID's (2018) TADAT Impact Survey, countries have accrued different benefits from adopting the TADAT framework to assess their tax administrations.

Some countries previously assessed are utilising TADAT report findings for internal management purposes, both at headquarters and sub-national offices: The Gambia is using its TADAT assessment to guide its working relationship with key domestic stakeholders including the finance ministry; Kenya and Nigeria communicated the results of their TADAT assessments to their offices across the country; after its initial assessment, Rwanda formulated an internal task force to propose reforms to address the gaps identified in the TADAT.

TADAT assessment findings have also guided revenue authorities on taxpayer education and stakeholder engagement strategies and activities. Following guidelines taken from their TADAT assessment, the Liberia Revenue Authority (LRA) expanded its taxpayer education strategy to include call centres, an information desk for taxpayers, and tax clinics. It also established a taxpayer advocate service to address taxpayer complaints, and began discussions with universities and high schools to include tax education in their programmes.

Wolf et al. (2018), in their TADAT assessment report of Ukraine, indicate that the State Fiscal Services of Ukraine has made good progress in implementing modern tax administration practices through the use of technology to support timely payment of taxes, and the use of good international practice to effectively resolve tax disputes, improving accountability and transparency.

TADAT exercises have also helped different tax administrations to enhance the exchange of information and ideas within their organisations. Kenya uses its knowledge management platform to share information across the administration. Following TADAT, Liberia worked towards improving the timeliness and accuracy of its internal reporting. Guatemala improved its information exchange processes to ensure that all actions and processes are aligned with its strategic goals.

TADAT, as a tool for measuring performance in tax administration, has been used to benchmark internal performance against international good standards. The two most common mechanisms are:

- Creating an internal TADAT committee or secretariat to track and promote improvement on key performance indicators.
- Integrating TADAT performance outcome areas (POAs) and indicators into strategic plans.

Staff of various revenue authorities have been TADAT-trained (five-day training sessions are holistic in design, comprising lectures and group discussions; sessions culminate in examinations and certificates and cover most key aspects of tax administration), and this has increased their understanding of tax administration performance requirements. In Liberia,

TADAT training increased officials' understanding of using indicators to measure performance. TADAT training helped Nigerian officials understand best practice for various tax administration functions. Rwanda noted that many of its staff now understand TADAT methodology, and can use it when designing reforms. TADAT training boosted the confidence of Kenyan officials to actively participate in international forums.

### **1.4.2 Challenges**

Some of the key challenges facing tax administrations in the implementation of the TADAT framework include: '1. inaccurate data presented as evidence during TADAT assessments [is] still a major problem. 2. Elements of silo-based rather than holistic tax administration management. 3. Focusing on revenue targets—a common distraction—rather than on embedding good tax administration practices' (IMF 2017).

TADAT emphasises the use of technology in modern tax administration to improve voluntary compliance and accuracy of the taxpayer register and tax declarations. A review of various country assessment reports reveals, however, that there are challenges in using systems to cross-check data and monitor declarations to ensure their accuracy and reliability.

### **1.5 What lessons were learnt from elsewhere?**

According to IMF (2017), some cross-cutting lessons from TADAT assessments include:

- A meaningful assessment requires the active involvement of the country's tax administration and related agencies in all phases of the assessment: initiation, pre-assessment, in-country assessment and post assessment.
- TADAT assessment results have more meaning if translated quickly into better designed, implemented and monitored tax administration reforms. Countries ought to develop ownership and take the lead in managing the reform effort, as well as embed TADAT methodology into their regular performance monitoring, reporting and accountability frameworks, working in collaboration with development partners.
- TADAT is evidence-based, and its standardised features should not be changed for the purpose of a 'favourable' assessment.

It is important to note that tax administrations in all countries face the same basic challenges. The financial crisis of 2008 exposed weaknesses in many tax administrations in advanced economies, and lent renewed urgency to fair and effective tax collection in all countries, irrespective of their levels of development.

Developing countries such as Uganda are expected to achieve a lot with the revenue they collect. An independent assessment of the strengths and weaknesses of their tax administrations is important to improve their performance and increase their revenue collection, which enables them to fund their budgets and reduce their reliance on external support. The introduction of TADAT helps tax administrations to have a diagnostic health check of their processes and systems, and to improve performance over the years.

It was therefore important that URA carry out this study to ascertain the level of progress made in rectifying/closing gaps raised in the performance assessment report of 2015, and to understand factors contributing to the current level of progress.

# 2 Methodology

## 2.1 Study design

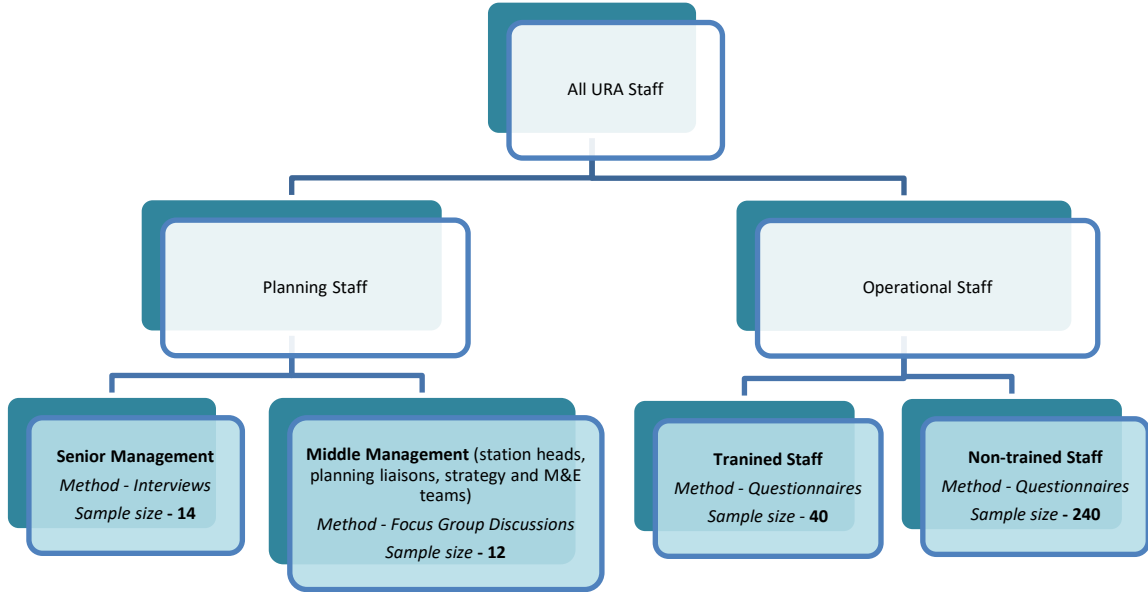
The study mainly took a qualitative approach; data and information were obtained through focus group discussions, interviews, questionnaires and review of relevant documents. Quantitative analysis was also done to measure the level of awareness of TADAT in the organisation.

## 2.2 Study population and sample

The study population comprised all 2,427 staff in URA.

**Sampling design:** Sampling was conducted in two phases. First, a multi-stage sampling approach was applied encapsulating in four final strata: senior management, middle management, trained non-management staff, and non-trained non-management staff. In order to get adequate information, at the second phase of the sampling procedure the respondents in the final strata were selected using a purposive sampling approach, based on their knowledge of the subject matter and their availability for participation in the study. Purposive sampling was necessary in this study because the required information was quite specialised, and only possessed comprehensively by specific individuals. The stratification stages are illustrated in Figure 1.

**Figure 1 The stratification structure**



Category of staff	Sample size	No. of respondents	Response rate
Senior mgt	14	6	43%
Middle mgt & planning liaisons	12	5	42%
Trained staff	40	20	50%
Non-trained staff	240	196	82%
<b>Total</b>	<b>306</b>	<b>227</b>	<b>74%</b>

Total sample size was 306; response rate was 74 per cent – there were 227 respondents.



URA, in collaboration with the TADAT Secretariat, trained over 95 per cent of the organisation's senior management staff, and the majority of staff in planning roles. This was motivated by the Commissioner General after she attended a TADAT class. She directed that all her senior management team must attend the TADAT training, and the TADAT secretariat immediately provided support. URA also gave an opportunity for staff/implementers to train fellow staff, creating widespread knowledge about TADAT at the organisation's planning level. This made the TADAT tool easier to incorporate in organisational work plans, hence easier to adopt.

## **2.3 Data collection**

Data was collected in four ways:

### ***Focus group discussions***

Focus group discussions (FGDs) were held to collect data from middle management staff. This stratum included station heads, planning liaisons and the corporate strategy and M&E team. It was important to hold FGDs for data collection in this stratum in order to obtain in-depth information about TADAT implementation, its challenges and benefits. The FGDs mainly aimed to collect information on the extent to which TADAT-fostered good practice had been incorporated into the organisation's plans, and how far they had been implemented. To eliminate bias, respondents at different operational levels were grouped into different focus groups.

A list of questions was developed and used to guide FGDs (Appendix C).

### ***Interviews***

Interviews were conducted to obtain relevant data/information from senior management staff. The interviews aimed to establish the level of ownership of TADAT mechanisms among top management. The interviews inquired about: the extent to which respondents considered TADAT stipulations when they plan for their departments/divisions; the reasons why they give/don't give TADAT requirements serious consideration; the extent to which their departments/divisions have been able to implement good practice proposed by earlier TADAT assessments; the challenges faced in implementation of TADAT-fostered good practice; and their perceptions about the efficacy and benefits of TADAT. The interviews also sought opinions on how to improve TADAT implementation in Uganda, and in other countries going forward. Open-ended questions and analysis of all data arising from the interviews was considered to eliminate both participant and researcher biases.

An interview guide was designed for conducting the interviews (Appendix D).

### ***Questionnaires***

Two questionnaires were administered to a sample of staff that perform operational duties in URA: one for TADAT-trained staff (Appendix E), and another for non-TADAT-trained staff (Appendix F).

The trained staff's questionnaire asked about: the extent to which URA has embraced TADAT mechanisms in its operations; the reasons for the level of adoption of TADAT in URA; and respondents' perceptions about the efficacy and benefits of TADAT in URA. The non-trained staff's questionnaire mainly sought to gauge the level of the respondents' knowledge about the general TADAT concept, its benefits, and perceptions about its efficacy.

## **Document analysis**

Relevant documents were analysed to establish the extent to which TADAT mechanisms have been engrained into URA business operations. The key documents reviewed included TADAT assessment reports, URA departmental business plans, URA strategy documents, and TADAT training reports.

In order to determine the practical responsiveness of URA to TADAT requirements, key pointers from earlier TADAT assessment reports were identified, and their presence was checked in later URA departmental business plans.

## **2.4 Data analysis**

The data collected was analysed using both qualitative and quantitative methods, in order to get insight from the different responses. Quantitative analysis (using inferential statistics) involved data validation to check for completeness, editing to eliminate errors, coding to group and assign values to responses. Findings from this analysis have been presented descriptively in graphs and pie charts.

Qualitative analysis involved organising, describing and interpreting the data collected. Open- and closed-ended questions were used in interviews and self-administered questionnaires. Content analysis method was used to get insight from documented information, especially from the trained and non-trained respondents to the self-administered questionnaires. Narrative analysis was also used to analyse data from the focus group discussion responses held with staff in planning roles.

Content analysis was chosen as an appropriate analysis method mainly because it allows for both quantitative and qualitative operations; narrative analysis was chosen because of its feasibility to include a much larger sample size, which is ideal for our study.

Results were compared with indicators from the baseline assessment (2015) and results from the mock assessment carried out in 2017, to inform the level of progress in adopting TADAT recommendations.

The above processes enabled a systematic and logical approach to analysis of both qualitative and quantitative data, and allowed for interpretation of findings to make a generalisation of the responsiveness of URA to the TADAT framework.

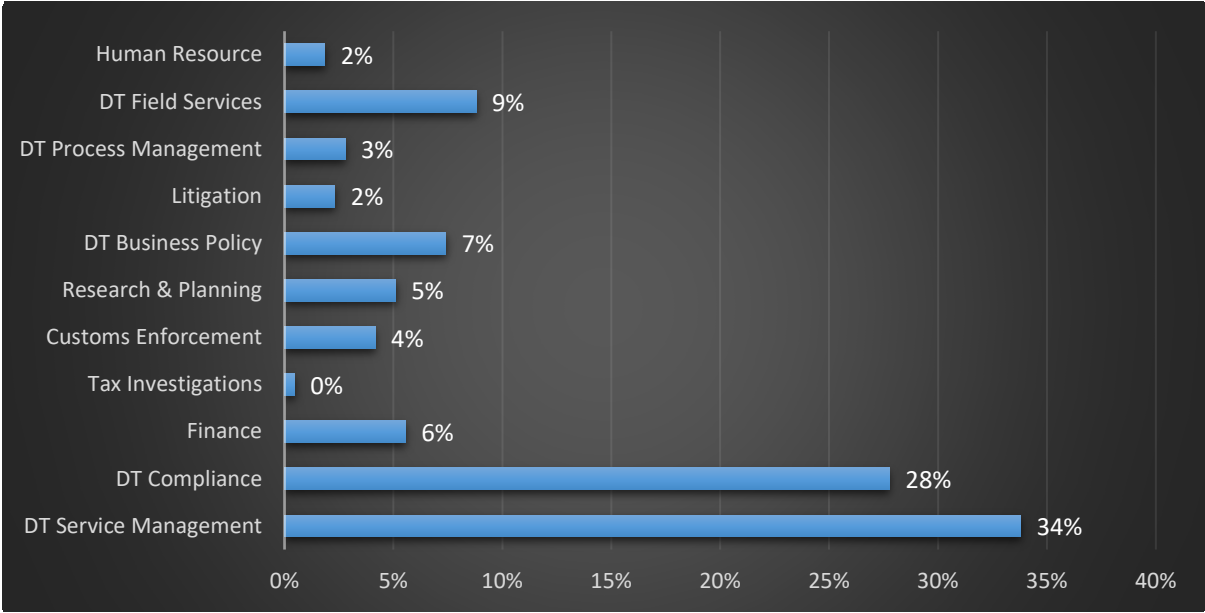
# **3 Presentation and discussion of findings**

The discussions below are based on the study's findings in relation to the tax administration good practice spelled out in the TADAT field guide of 2015 (TADAT Secretariat 2015) and its updated version of 2019 (TADAT Secretariat 2019c).

## **3.1 Respondent description**

This section describes distribution of the sample that participated in the survey – those who filled in questionnaires. There were 216 respondents in this specific category, excluding 11 interview respondents who were mainly senior management staff, and participants in focus group discussions who were staff deployed in planning roles.

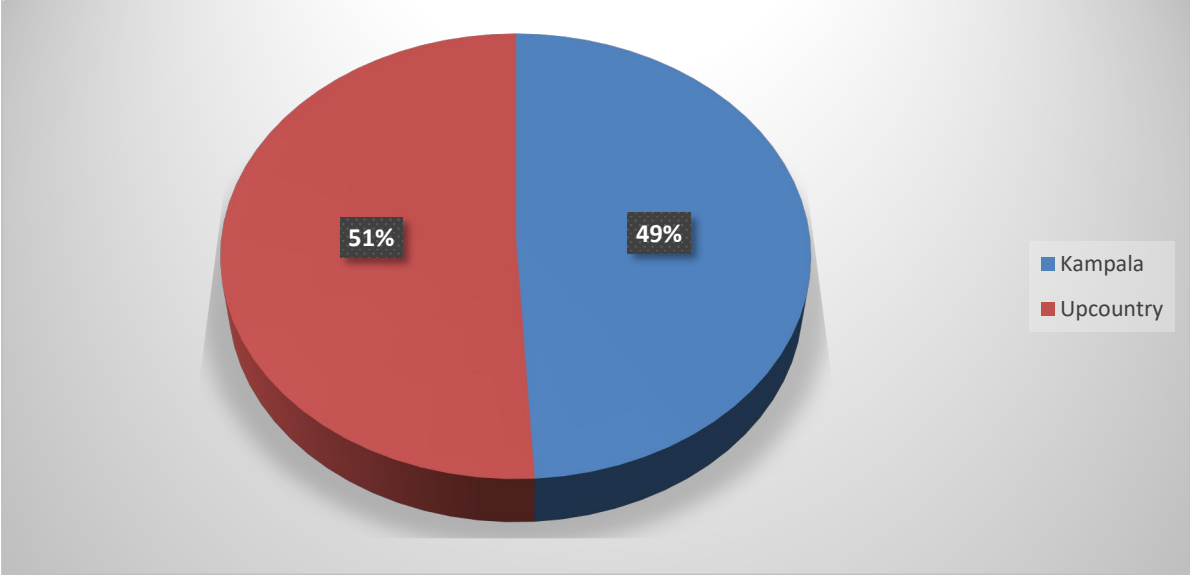
**Figure 2 Distribution of survey respondents by division**



TADAT performance outcome areas (POAs) mainly focused on domestic tax operations, and it should be noted from the above graph that the majority of respondents were chosen from different divisions in Domestic Taxes Department (DTD).

DTD’s Service Management and Compliance divisions together accounted for over half (62%) of respondents during the survey. However, to get a broader picture about adoption of TADAT in the organisation, respondents from other divisions were included in the survey – including Human Resource, Research & Planning, Customs Enforcement and Litigation.

**Figure 3 Distribution of survey respondents by region**

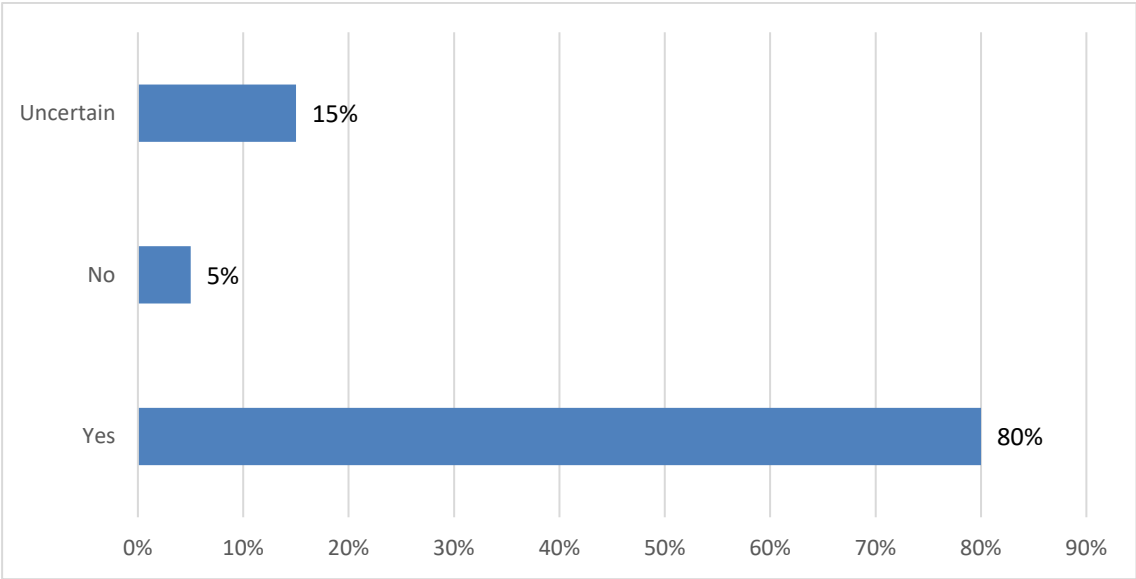


In order to get representative responses, respondents were picked from both Kampala (central region) and up-country. Of the respondents, 49 per cent were from Kampala, and 51 per cent were from up-country stations.

### 3.2 Level of adoption of TADAT in URA

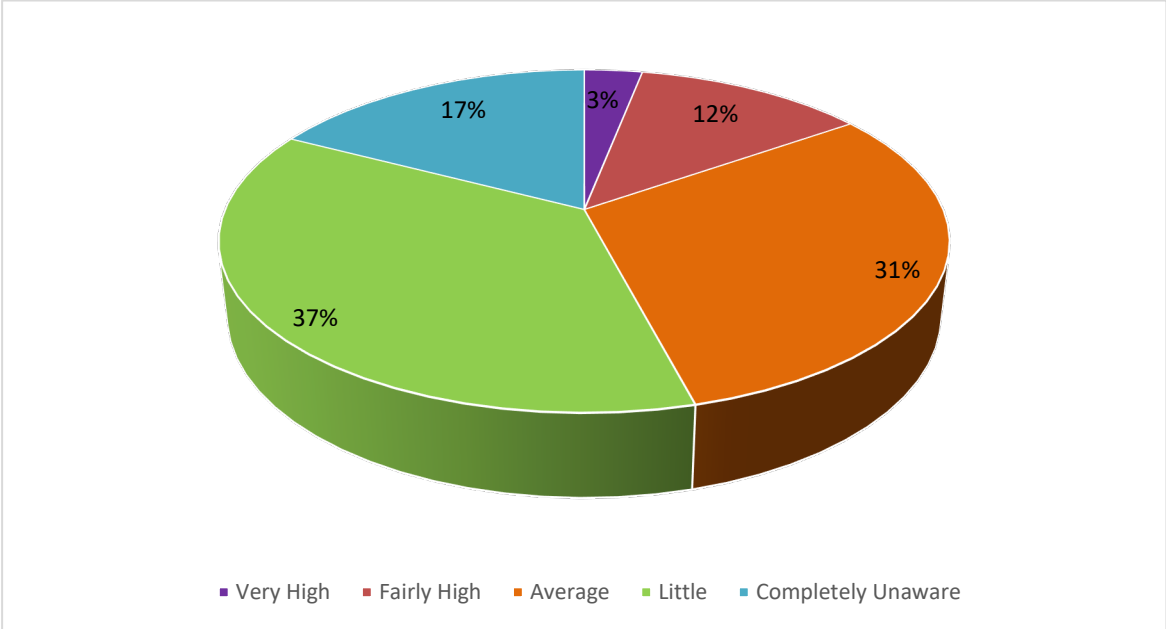
#### 3.2.1 Awareness

Figure 4 Knowledge of benefits of TADAT among trained staff



Asked if they were aware of the benefits of implementing TADAT in URA, 80 per cent of surveyed trained staff said they were aware, 5 per cent were not aware, and 15 per cent were uncertain.

Figure 5 Knowledge ratings of non-trained staff on TADAT



As earlier mentioned, it was expected that knowledge about TADAT and the good practice it promotes would trickle down to non-trained staff, and to facilitate this URA ensured that almost all its senior management staff – who have the biggest sphere of influence – were trained. Additionally, regular sensitisation sessions were conducted, and trained staff were encouraged to pass on knowledge to their untrained colleagues. Information about TADAT-fostered good practice was also regularly communicated to all staff through email.

Non-TADAT-trained staff were asked to rate their level of knowledge about TADAT: 15 per cent of them rated their knowledge as high (3% very high and 12% fairly high). The majority of respondents in this category, 37 per cent, rated themselves as having little knowledge; 31 per cent said they have average knowledge about TADAT and 17 per cent were completely unaware about it.

Asked whether they had read the first TADAT assessment report, the latest TADAT report at the time, 36 per cent of non-trained staff said they had read it, and 64 per cent said they had not. Among trained staff, 80 per cent said they had read the report, and 20 per cent said they had not.

Among non-trained staff, 37 per cent professed that they know the benefits of adoption of TADAT, and 63 per cent said they did not.

### **3.2.2 Implementation**

The study revealed that to a large extent the good practice promoted by TADAT is given due consideration in the planning processes of the relevant sections of the organisation. TADAT standards, which are recognised as international good practice by most staff, are embedded in the operations of URA. The standards were already part of the work mechanisms used in some sections of the organisation, but in others new ways of doing business were introduced in response to TADAT's good practice.

Most proposed standards were in existence in the Legal Services and Board Affairs (LSBA) department before the introduction of TADAT. This department, whose most relevant indicator (*P7-16-2: The extent to which an appropriately graduated mechanism of administrative and judicial review is available to taxpayers and is used*) scored an A in URA's first TADAT assessment, indicating that TADAT standards, without necessarily being called that, were already embedded in their way of doing business. Even this, however, did not render TADAT useless to the department. The Litigation division in LSBA department considers the requirements of TADAT's POA 7 in their planning process; this has helped them to embrace a proper dispute resolution mechanism and follow strict timelines in their procedures. They report to the Management of URA on a weekly basis (cases and actions taken), and to the URA board on a monthly basis. Monitoring and evaluation of departmental performance is measured against these attributes. TADAT also encouraged the Litigation division to strengthen their alternative dispute resolution endeavours. As suggested by POA 7, they try and resolve matters amicably before going for litigation. Additionally, following TADAT's advice that key judgements be published on URA's website, the division introduced this practice.

TADAT turned out to be a useful development in the Internal Audit and Compliance (IAC) department, even though most of the standards laid out by TADAT were already in practice, as it helped them get an additional credible reference point for doing what they do. Results from the 2019 assessment showed an improvement under indicator P8-24, scoring D+ as compared to D in 2015, attributed to conducting risk-based verification of refund claims. Additionally, the department introduced the practice of publishing disciplinary decisions/statistics as a result of TADAT stipulations. They also started doing deeper background checks for staff being recruited into the organisation, including checking the record of new staff with their former employers.

In an effort to align organisational work plans to the TADAT framework, the Research, Planning and Development (RPD) division incorporated TADAT standards in the organisation's business plan and M&E framework. The Assistant Commissioner in charge of

the division told how, together with the strategy development team, they extracted good practice from the TADAT framework and used this during the corporate plan development sessions that were held with the senior management team, automatically incorporating good practice in the plan. Additionally, in response to TADAT's guidelines, the RPD division improved its research process to ensure that research recommendations are implemented/incorporated in the organisation's compliance improvement plan. It conducted an East African regional comparative revenue analysis and published the findings.

Furthermore, the division strengthened its enterprise risk management endeavours by preparing regular risk management reports and submitting them to the organisation's Management Executive Committee on a monthly basis. Together with the IT, DTD and Customs department, they designed an automated risk management tool and had it incorporated into the organisation's data warehouse. Results from 2019 assessment showed significant improvement in POA2, with indicators P2-3, P2-4, P2-5 all scoring A as compared to C during the 2015 assessment. Additionally, in order to monitor the progress of implementation of TADAT standards in URA, the RPD division conducted an in-house TADAT mock assessment of URA in 2017 (URA 2017b). The division continually conducts sensitisation of staff about TADAT.

In 2017, the RPD division, in collaboration with the TADAT Secretariat, conducted an organisation-wide TADAT risk identification and prioritisation survey. The aim of this survey was to establish the level of risk posed by inadequacies under 14 key drivers/enablers of performance measured against the 47 indicators of the 9 TADAT POAs. The 14 drivers considered were: systemic planning and monitoring arrangements; user/stakeholder involvement in design and development; technology and related support; design adequacy; policy guidance; logistic support; linkages to organisational mandate and responsibilities; legislation/regulations; technical skills and experience; staff numbers; remuneration levels; leadership skills and experience; funding adequacy; and delivery structure/organisational arrangements. Technical skills and experience were perceived to pose the highest risk to performance, while legislation/regulations posed the least risk (URA 2017a).

In the Public and Corporate Affairs (PCA) division, good practice – like having a dedicated call centre and conducting tax education in schools – were already underway before the introduction of TADAT. During the 2015 TADAT assessment URA scored B under indicator P3-9, dropping to C in 2019 results – attributed to non-publication of survey results. However, the PCA division has embarked on conducting more regular client satisfaction surveys. As suggested by TADAT, they are working towards having the survey results published in order to create a far-reaching impact.

The Domestic Tax Department as a whole embraced TADAT standards by introducing several work mechanisms that were not in practice before TADAT. The most outstanding of these was the separation of the objections process from the chain of the audit process. Initially, objections to tax assessments were addressed by the initial tax assessors; now, the department has created an independent objections management unit under the DTD commissioner's office. So far this initiative has been implemented only for the central region, but plans to extend it countrywide are in the pipeline. The ideal situation would be to have an objections unit completely outside DTD. Even though this has not yet been attained, by creating the independent objections unit within DTD the department has taken a stride in the right direction in response to TADAT POA 7's stipulation, which is intended to give a fair hearing to taxpayers who object to tax assessments.

In response to TADAT's guidelines, the DTD has also strengthened efforts towards having a clean taxpayer register. They regularly track and clean the register, carrying out routine

deactivations of dormant taxpayer identification numbers. In the Large Taxpayers' Office, they introduced a client relationship management initiative with the intention of supporting voluntary compliance (POA 3). Under this initiative, the office allocated staff to be dedicated to understanding their clients (taxpayers), being part and parcel of their tax-related business, and to be available to help them with their tax-related matters: URA scored A under indicator P1-2 in 2019, as compared to C in 2015.

The head of the Process Management division in DTD created a sub-tool inspired by TADAT, and he uses this tool to assess his team's performance with TADAT standards as a benchmark. He said that using this tool he asks his team to assess themselves based on the TADAT indicators relevant to their work (e.g. concerning registration requirements and accuracy of information), and gets them to draw their individual *performance wheels*. In his own words, he uses the tool to 'get [his] staff to think outside the box'.

### **Adoption of TADAT in the Domestic Tax Department (DTD)**

The 2015 TADAT assessment captured and measured critical outcomes of URA's operations against international good practice, relying on evidence provided to the TADAT mission team. Evidence in several key performance outcome areas (POAs) either did not exist or could not be provided, lowering some scores.

This assessment identified some areas of weakness in DTD, including:

- Low level of certainty about the accuracy of the registration database
- Weak initiatives to detect businesses that fail to register
- Not having well-structured mechanisms to identify, assess, and prioritise risks
- The process of compliance risk mitigation not adequately addressing all risks
- Not having a structured approach to evaluation and prioritisation of institutional risks
- Not having a monitoring mechanism of information related to timely payment of taxes
- Audit programme lacked a component to evaluate audit outcome and overall impact.

The DTD management decided to improve a number of these areas, incorporating some TADAT recommendations into the operation of the department. The planning process, reports and departmental structure were adjusted to align with TADAT principles:

An Objections Unit was created to focus on dispute resolution, starting with objections made to the Large Taxpayers Office, Medium Taxpayers Office and Public Sector Office. This unit has since been expanded to include objections from the Central region and Kampala Metro region. This has improved taxpayer perception of fairness, and reduced the time taken to resolve disputes. The number of cases resolved beyond the statutory 90 days has been reduced from 5,215 cases at end FY 2016/17, to 512 at end Q3 FY 2018/2019, despite dealing with more new cases.

Adjusting measurement of filing ratios: previously, both 'on time' and 'late' returns were considered in obtaining filing ratios; now only on time returns considered as per TADAT field guide.

Risk Management Unit set up under the Compliance Management Division to assess, quantify and rank identified risks, from which a compliance plan for each financial year is developed. The ranking informs compliance actions, which have been expanded under the compliance plan to include activities beyond audits.

From FY 2016/2017, the department has developed a compliance improvement plan that addresses risks exhibited by taxpayers each financial year.

In addition to LTO, MTO and STO, new segments were created to build stronger compliance and provide proactive taxpayer support for the public sector (PSO), very important persons (VIPs) and high net-worth individuals (HNWIs).

Register cleaning exercise was initiated to ensure that taxpayer information on the register is correct and accurate. At end Q3 FY 2018/19, 84,000 taxpayer profiles have been updated against an annual target of 95,000.

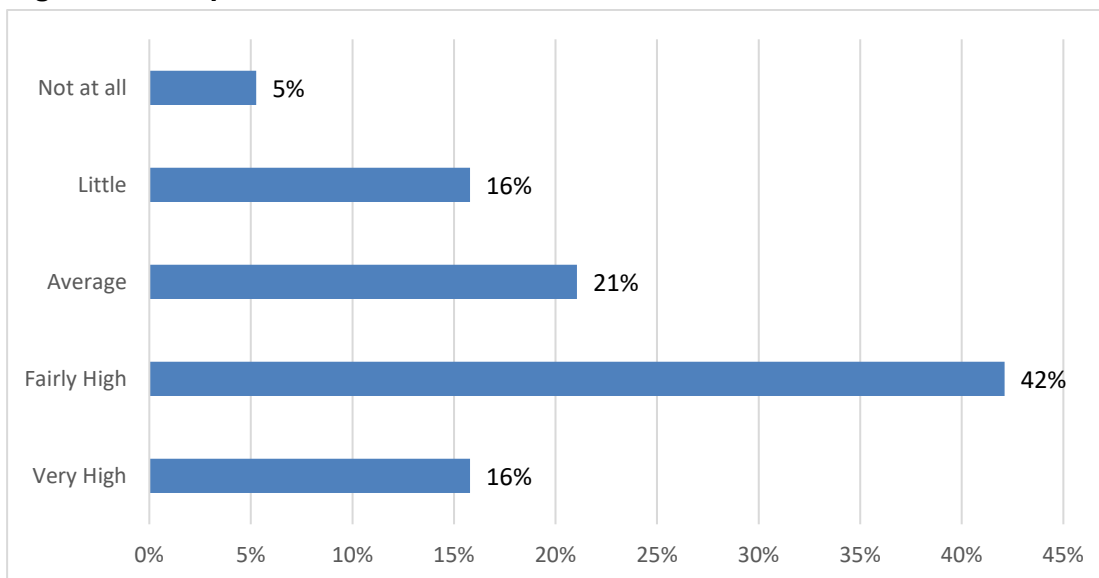
Compliance impact assessments were incorporated in the DTD's plan, beginning FY 2016/17. These aim to gauge the effect of compliance actions (advisories, visits, returns examinations and audits) on taxpayer behaviour. Compliance behaviour is a trend and not an event, and requires assessment over time. Post impact assessments carried out so far (up to 2017/2018 assessment) show a positive change in taxpayer behaviour across main tax obligations.

DTD adopt few TADAT-fostered good practices at a time to fit with their resource envelope and allow for activities that benefit from sequential rather than parallel implementation. Good practice adopted has improved their tax administration greatly. DTD management team believes that the department will become a centre of best practice.

### 3.2.3 Perceptions about adoption of TADAT

All senior management staff interviewed said they believed the adoption of TADAT in URA was a worthwhile undertaking, for reasons expressed in later sections of the report. Among other trained staff, 84 per cent thought it was worthwhile while 16 per cent thought it was not, for reasons given in the sections of this report on the limitations and challenges of TADAT implementation.

**Figure 6 Perceptions of extent to which TADAT has been embraced in URA**



Sample size - 40, Number of respondents -19

While 16 per cent of respondents were very highly confident that TADAT had been embraced in URA, the majority, 42 per cent, were of the opinion that it has been fairly highly embraced; 21 per cent rated it as average, 16 per cent rated the level as low, and 5 per cent believed it has not been embraced at all.



### **3.3 Factors that explain the level of adoption of TADAT in URA**

On the whole, most of the respondents expressed the opinion that, in terms of implementation, TADAT standards, many of which were already inherent in URA's business operations, were embraced by the organisation with open arms. All respondents that were of the view that URA positively took on TADAT also believed that, among other reasons, the adoption was driven by the organisation's desire to improve tax administration through implementation of internationally recognised good practice. Referring to TADAT, one respondent said that 'it standardises our work because performance is measured based on internationally defined standards making work easier for everybody'. Others indicated that TADAT was highly adopted because it helps the organisation to identify performance gaps, gives clear achievement goals, forms a credible reference point for institutionalising good practice, and gives the organisation a platform for self-assessment against internationally recognised good practice.

Some respondents believed that, unlike some other tools whose implementation did not pick up swiftly in URA, TADAT was highly embraced due to the practicability of its principles. It is these respondents' belief that the developers of TADAT possessed a wealth of knowledge and experience in tax administration from both developing and developed countries, hence their production of a workable tool. Others articulated that TADAT had a particularly high adoption rate in URA because it was packaged and presented clearly to URA staff, with clear goals.

There is a general feeling among staff, however, that the adoption of TADAT fell short in some aspects, such as knowledge about TADAT trickling down to all staff. A good number of staff were trained in TADAT but the majority are yet to be trained; the study has revealed that knowledge has not been effectively passed from trained staff to untrained staff. Hence, there are a large proportion of staff that have no awareness of TADAT. As noted by one of the respondents, this is fuelled by the poor reading culture that exists among staff. One would hope that with messages about TADAT being regularly emailed to all staff, they would all have a basic understanding of what TADAT is and the good practice it fosters – but the study revealed otherwise. Some respondents had absolutely no idea of what TADAT is about.

Other respondents expressed concern that the momentum for spreading TADAT awareness in the organisation has greatly slowed down, and this is one reason why its adoption in terms of staff awareness is low. They indicated that if the momentum is not regenerated it will slow down the tool's implementation in the organisation. Regenerating the momentum would include training staff in a consistent structured manner, putting in place a mechanism through which knowledge is passed from trained to untrained staff, and the organisation's senior management deliberately and visibly advocating adherence to TADAT standards in all relevant URA business operations.

### **3.4 Benefits realised and challenges encountered in the adoption of TADAT methodologies in Uganda's tax administration**

#### ***3.4.1 Benefits realised***

URA has realised a number of benefits both holistically and at departmental/divisional levels with the implementation of TADAT. By the end of March 2019 URA had surpassed its July 2018-March 2019 revenue collection target by UGX 356 billion, a performance of 103 per cent against target. This impressive performance is partly attributed to administrative efficiency methods, some of which were implemented based on TADAT guidelines.

The Large Taxpayers Office reported that after introduction of the Client Relationship Managers initiative motivated by TADAT's POA 3, their clients' on-time payments increased from 70 per cent to over 90 per cent, and they registered a 40 per cent growth in corporation tax – leading to a surplus in December 2018. They further noted that audit fatigue has significantly reduced, as some issues that would have culminated in audit are resolved through client relations. As a result of their improved client relations, their taxpayers have more certainty about tax matters, their transparency increases, and the quality of their declarations improves. The LTO related that taxpayers get in touch with them for assistance even when they have customs-related issues or tax matters not directly handled by the LTO, as they have built a good working relationship with them.

The separation of the objections process from the audit process has helped to build taxpayers' confidence in the objective way in which their objections to tax assessments are handled. This promotes fairness in the tax system, a key canon of taxation. Audit staff said that this development has also helped them save the time they used to spend on handling objections, so they can now handle more taxpayers than before.

The implementation of TADAT helped to enhance the design of DTD's compliance improvement plan (CIP). The CIP entails identification of risks and designing actions/mechanisms to mitigate them or reduce their impact and improve compliance. The compliance plan has improved DTD's operations – examination of returns and use of compliance advisories has helped to improve taxpayer compliance behaviour at a low cost, without necessarily conducting audits. There are now people whose role is to quality assure assessments, and the quality of assessments has improved. In LTO, they reported a rise in the number of assessments upheld by clients, and overall the rate at which taxpayers elect to object has gone down. Additionally, operational initiatives are risk-focused – when allocating finances and other resources to different initiatives, risk-based focus areas are given priority.

Risk management has improved through the development of risk registers that feed into the CIP and institutional enterprise risk management plans. These are periodically updated and presented to the organisation's senior management.

#### **Risk management advancements inspired by TADAT**

URA's enterprise risk management function has been boosted through creation of an automated corporate risk management tool. Using this tool, staff can provide real-time risk information to the corporate risk management team, which processes the information provided and devises timely risk mitigation strategies.

Enthused by TADAT, enterprise risk management was also strengthened through initiation of regular reporting on corporate risks – with APRCD preparing risk management reports and submitting them every month to the organisation's Management Executive Committee.

TADAT further inspired the design of an automated operational risk management tool embedded in the organisation's data warehouse. The tool profiles taxpayers based on their financial importance and risk scores established using relevant risk indicators embedded in the system. It then produces a report that groups taxpayers into four categories: key taxpayers, high-risk taxpayers, low-risk taxpayers and medium-risk taxpayers. This information guides team leaders on resource allocation and areas of prioritisation. It feeds into detailed compliance plans, making evaluation and follow-up easy. It also eliminates bias in the selection of cases to be focussed on for compliance improvement (see Appendix B).

The planning function and M&E are now well-aligned; research is focused on areas that improve tax administration and research recommendations are monitored in the CIP. Because of this, the DT department and RPD division work more closely, and together they ensure that voluntary compliance initiatives remain robust.

Although it is still work in progress, the effort to adhere to TADAT POA 9 requirements has notably brought about improvement in the process to manage refunds.

TADAT indirectly feeds into customs risk profiling for taxpayers. While conducting customs risk profiling for taxpayers, risk ratings from taxpayers' domestic tax records are considered, and these are influenced by TADAT stipulations.

With reference to TADAT's POA 1, *Integrity of the Registered Taxpayer Base*, TADAT enhanced URA's thinking about the initiative to integrate government registers. It is planned that URA's upcoming upgraded electronic tax system, e-tax 2, will directly pick information about individuals from the government register using their national identification numbers (NINs) and information about businesses from the Uganda Registration Services Bureau register using their business registration numbers (BRNs). With the introduction of e-tax 2, URA envisages moving a step towards having auto-populated returns as suggested by TADAT, and using third-party information more adeptly, mainly from electronic fiscal devices. These proceedings are envisaged to greatly improve taxpayer compliance.

TADAT has helped the Litigation division of LSBA to make a case for support from key stakeholders like the Ministry of Finance, Planning and Economic Development – for example, to empower the tax appeals tribunal with funding and facilitate creation of a library for the tribunal and an office of its own to enable better administration of tax justice.

TADAT has also helped the IAC department to ratify the practicability of the standards it implements. Furthermore, the staff background checks implemented by IAC, motivated by TADAT, help to proactively curb fraud in the organisation by identifying and terminating fraudsters who make it through the recruitment process.

Overall, in response to TADAT, there has been improvement in documentation of activities, processes and accomplishments within the organisation. Some respondents said this has helped to improve business continuity and promote work standardisation.

#### **TADAT implementation through the planning function**

URA's Planning Division made a deliberate effort to incorporate TADAT-fostered good practice in the organisation's work plans. Since plans affect operations tremendously, this move has been very effective at incorporating good practice in organisational operations without necessarily tagging them as TADAT good practice.

The corporate planning team analysed TADAT's POAs, identified gaps in the organisation's operations in relation to TADAT, and designed new initiatives and indicators aimed at closing these gaps. These were incorporated in the corporate work plan and M&E framework. This resulted in implementation of good practice as part of staff's day-to-day roles, making accountability and evaluation easier.

This action greatly contributed to Uganda's improved performance in the country's latest TADAT assessment of 2019 (see Appendix A).

### **3.4.2 Challenges faced by URA in implementation of the TADAT framework**

In relation to TADAT requirements, one of the main challenges experienced organisation-wide is the lack of proper documentation of actions and work achievements. TADAT is an evidence-based tool, and requires proper documentation of all work processes and accomplishments. Because proper documentation of actions is lacking in several operations of the organisation, respondents said that they sometimes fail to provide proof of work done and end up performing poorly on certain indicators, even though the required work was done. This undesirable culture of no documentation, however, is being slowly reversed by TADAT as staff are gradually becoming aware of the need for work documentation.

Generally, it was noted that there is limited funding because of budgetary constraints and skills to implement some of the good practice promoted by TADAT – for example, full-scale independent perception surveys every two years require funding that is not available, and some audit requirements are too expensive. The required staff numbers, IT infrastructure, and skills to do some technical audits are absent. Besides shortage of funds, implementation of some standards is hampered by their likely spill-over effects given the current systems in place – for example, the requirement to match payments with returns under POA 5 (Payment of Obligations) was not put into effect because its implementation would create an inconvenience to taxpayers, who would have to manually look up matching return numbers and record them in order to make payment registrations. Since another key necessity in tax administration is promoting voluntary compliance, the organisation could not implement this requirement within the existing system set-up as it would set back the drive to make compliance easier for clients. This choice was a trade-off between promoting voluntary compliance and creating more clarity in monitoring of payments. With an upgrade to e-tax2, voluntary compliance processes will be simplified.

While there are performance indicators listed in the TADAT field guide, concrete evaluation of accuracy of details in the taxpayer register is difficult given the lack of automatic access to other databases, such as National Identification. In the same way, ascertaining an improvement or decline in accuracy of return declarations can be done partially based on available indicators, but 100 per cent verification of accuracy is close to impossible.

Additionally, meeting some of TADAT's standards requires action from other stakeholders besides URA, and, in some cases, the encumbrances are out of URA's control. This makes the implementation of required standards difficult. For example, the lack of an interface between different government systems and financial institutions in Uganda makes it currently impossible to fully automate/have pre-populated income tax return declarations, and to achieve the large-scale automated crosschecking of amounts reported in income tax declarations as required by TADAT's POA 6 (Accurate Reporting in Declarations).

Some respondents expressed the opinion that the training given to staff by URA sometimes lacks the 'WHY' aspect. Many staff know exactly what to do, but not necessarily why they ought to do it. Because of this, they may be slack in implementation of standards, leading to avoidable errors – for example, in the taxpayer register.

Another challenge noted was that sometimes TADAT good practice suggested are valid, but do not necessarily line up with organisational focus/priorities at that point in time. This makes it difficult to allocate resources to their implementation then, given competing priorities.

In ensuring alignment of processes and operations to international standards so as to improve tax administration, it is important to highlight that some TADAT elements are good but should not be a must-have – yet TADAT assumes they should be. For example,

publishing annual business plans on the URA website, which is a requirement of TADAT, is still a challenge in URA due to technicalities around timelines of finalising the business plan; the relevance of this requirement in URA's context is trivial. Concern was expressed that cultural differences in different countries are not considered by TADAT, and yet these contribute significantly to differences in tax administration outcomes.

Another challenge expressed was the co-existence of multiple assessment tools that concurrently assess the same work outputs in different ways – for example, the TADAT tool and Diamond tool both assess tax administration concurrently, referring to different performance indicators. The co-existence of these tools creates replication of work, an unnecessary number of performance indicators to track, and a sense of ambiguity among staff.

It was also noted as a concern that staff at lower operational levels do not understand the TADAT concept sufficiently, and therefore have no motivation to put it into practice.

### **3.5 Lessons for revenue authorities and development partners from URA's TADAT experience**

#### ***3.5.1 Lessons and recommendations for URA and other revenue authorities***

The three most important lessons from this study are that awareness, continuous self-assessment and incorporation of TADAT standards in organisational business plans are essential for fruitful adoption of TADAT in the organisation.

*Awareness.* In URA, TADAT training was delivered to several staff, and this went a long way in boosting the TADAT implementation drive, increasing the level of adoption. Over 95 per cent of the organisation's senior management staff were TADAT-trained, making it easier for TADAT adoption to take root, as management staff greatly influence their business areas. However, since it is costly and perhaps impractical to deliver the required training to all staff, it is imperative that means are devised through which knowledge can be effectively passed on from trained to untrained staff. In URA, it was noted that knowledge did not trickle down enough to untrained staff, leading to substantial lack of awareness among staff at lower implementation levels. Going forward, more training and sensitisation about TADAT needs to be done within the organisation – preferably in a consistent structured manner – to ensure that the fire does not burn out. Change management with respect to TADAT needs to be spearheaded by the organisation's senior management team. Importantly, all staff in planning roles need to be TADAT-trained, and when staff transfers happen their replacement needs to be trained. It was noted that, for example in the DTD planning unit, some TADAT-trained staff were transferred to other units and their replacements were not given the necessary TADAT training. This obstructs their efforts to effectively incorporate TADAT standards in their planning work.

*Continuous self-assessment.* Since TADAT assessments do not happen very often, it is important that the revenue administration conducts TADAT self-assessments in-between TADAT assessments conducted by external assessors. URA was assessed by the TADAT secretariat in 2015, and the subsequent assessment was done in 2019. In-between these external assessments however, an in-house TADAT assessment was conducted by the RPD division of URA in 2017 to gauge the organisation's progress towards bridging the gaps identified by the first assessment, and to put in place mechanisms for improvement going forward. The identified improvement mechanisms were incorporated in the organisation's business plan. URA also conducted a TADAT risk identification and prioritisation survey in collaboration with the TADAT Secretariat. These endeavours have seemingly paid off, as the

results from the 2019 TADAT assessment of URA indicate a significant improvement from the first assessment's results (Okello et al. 2019) – see Appendix A. It is the recommendation of this study that an internal TADAT assessment is done within URA every year, with the exception of years in which an external assessment is done.

*Incorporation of TADAT standards in organisational business plans.* The good practice fostered by TADAT need to be streamlined into the organisation's strategy management framework. For better implementation, TADAT standards need to be integrated as KPIs in the organisation's business plan, and TADAT's 9 POAs need to be included in the corresponding M&E assessments. The progress of actions taken to fill gaps that have been identified based on TADAT needs to be closely monitored. This has been fulfilled in URA's case to a large extent.

As earlier mentioned in the findings, some good practice has not been implemented – not because the will is absent, but because funding is insufficient. URA should consider building business cases and soliciting funding from development partners based on viable TADAT-backed proposals that the organisation cannot afford to fund. This should also take care of covering the skills gaps that hinder implementation of some good practice. Additionally, key TADAT stakeholders like IMF should provide strong backing for URA when they request funds (e.g. from MoFPED) for implementing key TADAT-fostered good practice whose budget exceeds what is routinely available.

A TADAT impact assessment needs to be carried out to identify areas of improvement. Areas of tax administration that have not improved despite the implementation of TADAT need to be identified and given special attention using different approaches.

It should be noted that the above continuous self-assessment and carrying out awareness are short-term recommendations. To achieve long-term results, tax administrations ought to embark on mainstreaming TADAT benchmarks in their strategic plans.

It is recommended that the TADAT Secretariat considers the following limitations of TADAT as a tax administration assessment tool, and devise means of overcoming them.

### **3.5.2 Limitations of the TADAT framework**

This section spells out shortcomings of TADAT as expressed by respondents from the study of URA's TADAT experience. Lessons/solutions can be drawn from these limitations by development partners to improve the TADAT tool, or to cover the identified loopholes while developing other similar tools.

- In several revenue administrations, including Uganda's, the Domestic Tax and Customs departments are intertwined and operate under a single organisation. However, TADAT assessment of revenue administration does not cover customs operations. This makes its assessment of the tax administration's performance incomplete. Of course, customs operations are duly monitored based on relevant standards like those of the World Customs Organisation, but for purposes of improving operational efficiency it would be prudent if a tool that measures the overall performance of revenue administration in a country covers all major facets of revenue administration. This is even more important in developing countries like Uganda, where customs revenue still makes up a large percentage (over 40%) of total tax revenue. It is worth noting, however, that the omission of customs assessment from the TADAT framework was done deliberately in consideration of the fact that the World Customs Organisation was in the process of designing a TADAT-like assessment tool for customs.

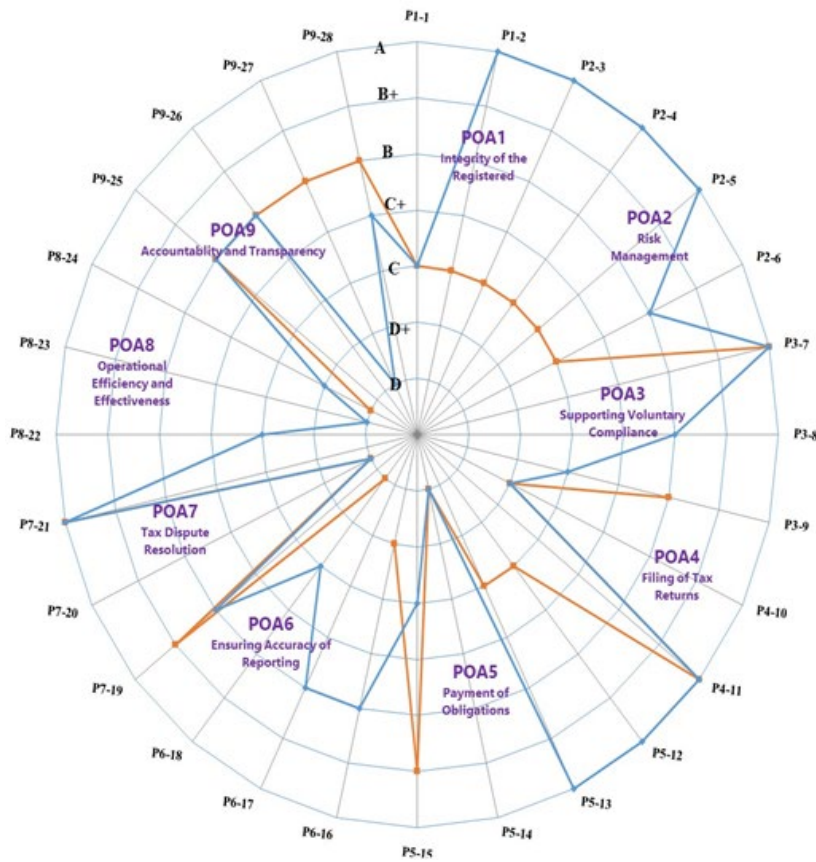
- TADAT assessment does not cover non-tax revenue and the operations that surround it, yet this is increasingly becoming a significant source of revenue for Uganda and other African tax administrations.
- TADAT monitors refunds but provides no POAs to support revenue administrations in developing efficient VAT fraud detection systems to buffer the refund process.
- Successful business operation should focus on three aspects – systems, processes and people. In its current state, the TADAT framework focuses on systems and processes but not human resources. This will not be a limitation going forward, as the TADAT Secretariat is in the process of incorporating human resource assessment in the TADAT framework.
- TADAT encourages automation and integration of systems, but has no measure for the infrastructure that supports automation.
- TADAT is evidence-based and mostly quantitative, which is a good feature, but some key qualitative facets of tax administration are left out – such as the level of satisfaction of a client. It considers the number of surveys conducted, but does not go a step further to check what the survey results were, and what actions were taken as a result of the findings.

## 4 Conclusion

TADAT, as a tool for assessing tax administration, is well appreciated in many tax administrations around the world because of its standardised indicators and practicability. Responsiveness to the TADAT framework in URA can be conclusively rated as high, based on the TADAT-based mechanisms the organisation has put in place that have enabled it to realise tangible benefits in line with improving tax administration. Periodic in-house self-assessments are essential for checking the progress of implementation of the guidelines sourced from past TADAT assessments, in order to make timely improvements where shortcomings have been detected. Incorporation of TADAT standards in organisational business plans is also a key factor in ensuring the smooth adoption of the TADAT framework. Despite having limited resources, it is important to point out that the focus ought to be on increasing the level of awareness about TADAT through structured training and sensitisation – first and foremost among all senior management levels, and later amongst the junior operational staff. This will go a long way in ensuring that departmental operations/interventions are well-aligned to the nine performance outcome areas of TADAT.

# Appendices

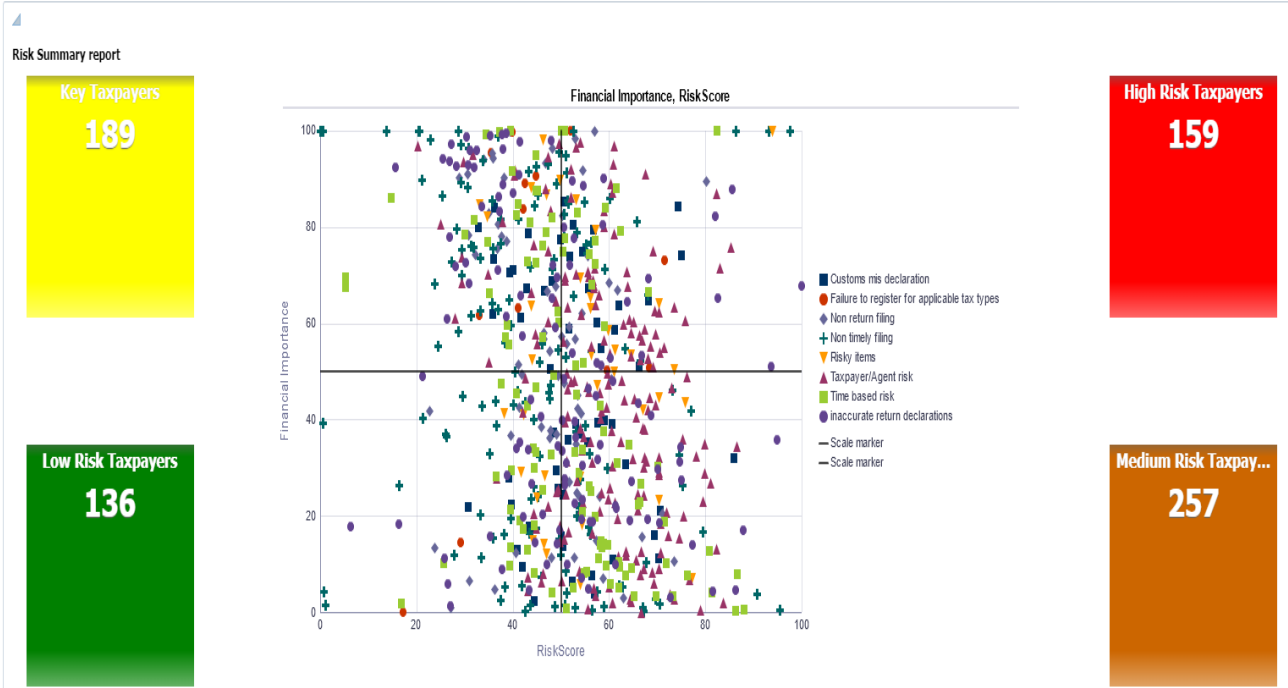
## Appendix A Uganda's distribution of performance scores



Indicator	2015 Score	2019 Score
P1-1	C	C
P1-2	C	A
P2-3	C	A
P2-4	C	A
P2-5	C	A
P2-6	C	B
P3-7	A	A
P3-8		B
P3-9	B	C
P4-10	D+	D+
P4-11	A	A
P5-12	C	A
P5-13	C	A
P5-14	D	D
P5-15	B+	C
P6-16	D+	B
P6-17		B
P6-18	D	C
P7-19	B+	B
P7-20	D	D
P7-21	A	A
P8-22		C
P8-23		D
P8-24	D	D+
P9-25	B	B
P9-26	B	B
P9-27	B	D
P9-28	B	C+



# APPENDIX B Risk summary report from the automated operational risk management tool



## **APPENDIX C**

### **Guiding questions for the focus group discussions among middle management staff**

The general purpose of the study is to assess how effective the adoption of TADAT has been in improving tax administration in URA. This will involve gauging the progress of adoption of TADAT standards in URA.

Prior to holding the focus group discussions (FGDs), the team of researchers shall establish the POAs and TADAT good practices relevant to the members of the FGD, based on the last TADAT assessment. Discussions shall mainly focus on the actions taken by the members and the teams they represent, in response to TADAT-fostered good practices. Respondents shall be informed that the research findings shall be presented in general terms and confidentiality shall be upheld.

#### **Questions**

1. Do you make consideration of TADAT-fostered good practices in your planning process? Why or why not?
2. Please mention any activities or objectives that were added to your work plans based on TADAT-fostered good practices.
3. If there are any TADAT-fostered good practices that you did not put into consideration, please expound on them and the reasons why they weren't considered.
4. For the good practices that were incorporated in your work plans, to what extent were you able to accomplish the planned activities?
5. In your opinion, to what extent has TADAT been adopted in URA (implementation, awareness and perceptions)? What factors explain the adoption level you have mentioned?
6. What benefits do you think your team/URA as a whole has reaped/will reap as a result of adopting TADAT?
7. What challenges have you encountered in trying to incorporate TADAT methodologies in your work?
8. If something could have been done differently to achieve better results from the introduction of TADAT in URA, what would that be in your opinion?

## **APPENDIX D Interview guide for senior management staff**

The general purpose of the study is to assess how effective the adoption of TADAT has been in improving tax administration in URA. This will involve gauging the progress of adoption of TADAT standards in URA.

The interviews will mainly seek to establish the level of ownership/embrace of TADAT mechanisms among top management members, the challenges faced in the implementation of TADAT-fostered good practices, respondents' perceptions about the efficacy and benefits of TADAT, and their opinions on how to make TADAT implementation better in Uganda and in other countries going forward.

Respondents shall be informed that the research findings shall be presented in general terms and confidentiality shall be upheld.

### **Questions**

1. To what extent do you give TADAT-fostered good practices consideration in your department/division's planning processes?
2. Has your department/division introduced any new activities/products based on TADAT standard requirements? If yes, which ones?
3. Has your department/URA registered any benefits from implementing TADAT-fostered good practices so far? If so, what benefits? If no, do you envisage any future benefits? Which ones?
4. What challenges have you encountered in trying to engrain TADAT in your department/division's work?
5. In your opinion, to what extent has TADAT been adopted in URA (implementation, awareness and perceptions)? What factors explain the adoption level you have mentioned?
6. Do you consider TADAT adoption to be a worthwhile undertaking for URA? Why or why not?
7. If something could have been done differently to achieve better results from the introduction of TADAT in URA, what would that be in your opinion?



10. In your opinion, what factors explain the rate at which URA embraced the TADAT framework?

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11. Do you think TADAT is a worthwhile undertaking for URA?

Yes                      No

Please give a reason for your answer.

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**Section D: Recommendations**

12. What can be done to improve the implementation of TADAT in URA?

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***Thank you for your time!***



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